

Message Text

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ACTION EA-06

INFO OCT-01 SS-14 ISO-00 INR-05 EB-03 PRS-01 L-01 SP-01

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R 100815Z FEB 75

FM USLO PEKING

TO SECSTATE WASHDC 3217

INFO AMCONSUL HONG KONG

S E C R E T PEKING 0233

LIMDIS

NOFORN

E.O. 11652: XGDS-1

TAGS: ETRD EFIN CH

SUBJECT: PRC LONDON GOLD SALES IN 1974

REF: PEKING 1295 OF 1974

1. EFTEL REPORTED THAT FOR THE FIRST TIME SINCE 1961 THE BANK OF CHINA (BOC) BEGAN SELLING GOLD IN LONDON IN 1973 AND DISPOSED OF APPROXIMATELY DOLS175 MILLION WORTH OF GOLD IN LONDON BETWEEN LATE DECEMBER 1973 AND FEBRUARY 1974. WE HAVE NOW LEARNED FROM A UK EMBOFF HERE THAT BOC'S TOTAL SALES OF GOLD IN LONDON IN 1974 WERE DOLS400 MILLION, WITH MUCH OF THE SELLING ACTIVITY TAKING PLACE IN THE LATE FALL.

2. THIS INFORMATION WAS PASSED TO US IN STRICTEST CONFIDENCE AND SHOULD BE CAREFULLY PROTECTED BY ADDRESSEES. IT SHOULD NOT BE DISCUSSED WITH INDIVIDUALS OUTSIDE THE USG INCLUDING HMG PERSONNEL.

3. COMMENT: IT HAS BEEN EVIDENT FOR SOME MONTHS THAT DUE TO A MASSIVE TRADE DEFICIT IN 1974, WHICH
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FOLLOWED A SIZEABLE DEFICIT IN 1973, THE PRC WAS

RUNNING SHORT OF FOREIGN EXCHANGE. THE SALE
REPORTED ABOVE SEEM TO HAVE BEEN ONE ASPECT OF
CHINA'S RESPONSE TO THE PROBLEM, WHICH ALSO
INCLUDED CANCELLING OR POSTPONING SCHEDULED IMPORTS
OF CERTAIN COMMODITIES. THE UK EMBOFF'S STATEMENT
COVERED SALES OF GOLD IN LONDON ONLY, AND IT IS
ENTIRELY CONCEIVABLE THAT BOC ALSO DISPOSED OF
GOLD IN OTHER MARKETS, SUCH AS ZURICH. WE HAVE NO
ACCESS TO INFORMATION ON BOC ACTIVITY IN SUCH MARKETS, HOWEVER.
BUSH

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, GOLD HOLDINGS, GOLD TRANSACTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 FEB 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PEKING00233
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Film Number: D750047-0721
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750257/aaaabzdc.tel
Line Count: 71
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: SECRET
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: LIMDIS
Reference: 75 PEKING 1295, 75 OF 1974
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUN 2003 by ShawDG>; APPROVED <10 NOV 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRC LONDON GOLD SALES IN 1974
TAGS: ETRD, EFIN, CH
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006